Before the

Federal Communications Commission

Washington, D.C. 20554

In the Matter of	)	
	)	
Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
	)	
Lifeline and Link Up	)	WC Docket No. 03-109

INQUIRY INTO DISBURSEMENT PROCESS FOR THE UNIVERSAL SERVICE FUND LOW INCOME PROGRAM

COMMENTS OF ALEXICON TELECOMMUNICATIONS CONSULTING

Alexicon Telecommunications Consulting ("Alexicon") hereby submits its Comments to the Federal Communications Commission ("FCC" or "Commission") in response to the Commission's Notice of Inquiry ("Notice" or "Inquiry").[1] In this Notice of Inquiry, the Commission seeks comment on the issues raised in the Inquiry.

GENERAL

Alexicon provides professional management, financial and regulatory services to a variety of small rate-of-return Incumbent Local Exchange Carriers ("ILECs")[2] who serve diverse geographical areas characterized by rural, insular or Native American Tribal Lands. These

[1] Released September 23, 2011

[2] As defined by the Telecommunications Act of 1996 ("Act").

ILECs, similar to most other small rate-of-return regulated ILECs, currently provide a wide range of technologically advanced services to their customers. A significant percentage of these ILEC's subscribers are Low Income[3] subscribers that are supported through the Lifeline and Linkup programs.

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I. THE CHANGE REQUESTED DOES NOT YIELD THE DESIRED RESULT

The purpose given for changing the payment methodology was to increase the accuracy of the payments.[4] USAC's response and proposal provides no indication that delaying payments to carrier's for services provided to low income subscribers would impact the accuracy of those payments. The letter states the primary benefit realized would be mitigation of the risk of a carrier ceasing to provide service after receiving a projected payment.[5] While risk mitigation is an important priority of this Commission and USAC, there is nothing in the record to indicate in

[3] *See* 47 C.F.R. §54.409(c), §54.415(c)
[4] *See* Letter to Scott Barash, Acting Chief Executive Officer, Universal Service Administrative Company, from Dana Shaffer, Deputy Managing Director, Federal Communications Commission (May 13, 2011), 26 FCC Rcd 6810 (*FCC May 2011 Letter*).
[5] Inquiry at ¶16

any way the size or even potential of this risk. USAC also indicates that under existing procedures they "will stop paying a carrier based on projections if the company has filed for bankruptcy protection or is the subject of a dispute, review or investigation that could result in the carrier discontinuing the provision of Lifeline service".[6] USAC further shows that the period reviewed had a variance of less than 3%[7] and that while the costs to implement the change would be minimal[8] they were unable to quantify any savings.[9]

II. THE SUPPORTED ENTITY IS THE CONSUMER, NOT THE CARRIER

Under the Life and Linkup programs, the supported entity is the consumer. The carrier is acting on the consumer's behalf in providing service at a discounted rate, waiving several cost elements and assuming administrative burdens to provide the discounted service. The proposal adds further administrative and financial burdens to the carrier without any apparent benefit to the consumer or the fund.

III. THE CURRENT PROCESS PARALLELS STANDARD INDUSTRY PRACTICE

The current process of payment parallels the current industry practice, in which fixed charges are billed forward, allowing payment to coincide with service. The proposal would require service to be provided as much as 90 days in advance of payment. This is effectively 'borrowing' from the carrier without immediate compensation to provide service to the consumer, possibly causing financial hardships to the carrier. While once the transition period is completed cash flow would be similar to what it is today, it would also be as much as 90 days delayed for monthly filers and

[6] Inquiry, Appendix A at ¶5
[7] Id at Table 3
[8] Id at ¶19
[9] Id at ¶18

120 days for quarterly filers. This would provide a negative incentive for carriers to actively promote Lifeline and Linkup services as they would have significant outlay of costs in advance of revenue.

Table 1

Period	Action	Billing	Current Process	Proposed
September 1st – 10th 15th 20th -25th 30th	1000 lines (existing) 100 lines added by billing close	Payment for 1000 from August billing 100 billed for prorated September and 1100 for Oct. fixed cost.	 497 filed (August-1000) Payment for September projection +/- July true up	 497 filed for Aug(1000) Payment for July service
October 1st-10th 15th 20th-25th 31st	1100 lines 50 lines added by billing close	1100 collected from September billing 50 billed for prorated Oct and 1150 billed for Nov.	497 filed (Sept.-1100) Payment for October projection +/- August true-up	 497 filed for Sept (1100) Payment for August service

Delaying payments by such a significant time span would also create increased burden on the carriers in reconciling both costs and revenues because the costs and revenues would be realized at greater intervals. As previously noted, the current system provides that receipts occur during the same period as the service. The proposal would separate the revenue across multiple periods.

There is also no indication that USAC would, or should, stop the process of generating projected payments even if the payments are made later, based on actual claims. Each quarter, USAC is tasked with determining the projected cost of the USF[10] including Lifeline and Linkup. Further,

[10] See 47 CFR § 54.709 Computations of required contributions to universal service support mechanisms.

significant variance from norms acts as a flag for investigation, helping to detect fraud, waste, and abuse.

IV. THE PROPOSAL WOULD HAVE THE LARGEST NEGATIVE IMPACT IN RURAL AREAS, PARTICULARLY TRIBAL AND INSULAR AREAS

The delayed revenue impact would be highest in the rural areas where the record reflects that there are low populations with higher levels of poverty, particularly Tribal and Insular areas.[11] Carriers serving these areas would be particularly singled out. Where there are particularly high levels of low income subscribers, the transition would have higher impact, and a larger percentage of cash flows would be significantly delayed, causing additional hardships on the areas already struggling the most.

V. REDUCING THE WINDOW FOR TRUE UP

The proposal to reduce the window for true ups would certainly offer the benefit of improving the predictability if the fund's requirements. The six month window as proposed[12] is rather narrow, given the increased administrative requirements caused by delaying payment by nearly two months. Alexicon believes that a more reasonable time frame would be six months from receipt of funds. This allows the carrier the opportunity to reconcile accounts, billing, and end users while still reducing the window from over fifteen months to eight. This same window could be reasonably implemented without regard to any actual changes in payment timing.

CONCLUSION

[11] See Comments of Gila River Telecommunications, Inc., GN Docket No. 09-51 *et al*. (Filed August 24, 2011) pp. 6, *see also* Comments of National Tribal Telecommunications Association, GN Docket No. 09-51 *et al*, (Filed April 18, 2011) pp. 14.
[12] Inquiry, Appendix A, at ¶7

Alexicon appreciates the opportunity to submit these comments in this proceeding. Alexicon applauds the Commission in its quest to improve efficiency in the Lifeline and Linkup programs. This proposal was presented by USAC at a Commission Staff request for the purpose of improving the accuracy of payments. Upon development and review, it does not appear that the purpose desired would be achieved. It does not make fiscal or regulatory sense to implement a change that does not achieve the results desired. USAC indicates that the costs to them are minimal, but neither USAC nor Commission Staff show evidence of reviewing the impact on carriers or consumers except a decidedly negative impact of low to negative revenues during the transition period. There does appear to be merit in narrowing the period of uncertainty in filing corrections, but this should be properly quantified prior to implementation.

Respectfully submitted,
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